

# **Lakeview Public Schools**

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**Financial Report**  
**with Supplementary Information**  
**June 30, 2007**

# Lakeview Public Schools

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## Independent Auditor's Report

To the Board of Education  
Lakeview Public Schools

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lakeview Public Schools (the "School District") as of and for the year ended June 30, 2007, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Lakeview Public Schools' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Lakeview Public Schools as of June 30, 2007 and the respective changes in financial position and cash flows, where applicable, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison schedules, as identified in the table of contents, are not required parts of the basic financial statements but are supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

To the Board of Education  
Lakeview Public Schools

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lakeview Public Schools' basic financial statements. The accompanying other supplementary information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report under separate cover dated October 30, 2007 on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide opinions on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*Plante & Moran, PLLC*

October 30, 2007

# Lakeview Public Schools

## Management's Discussion and Analysis

This section of Lakeview Public Schools' annual financial report presents our discussion and analysis of the School District's financial performance during the year ended June 30, 2007. Please read it in conjunction with the School District's financial statements, which immediately follow this section.

### Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Lakeview Public Schools financially as a whole. The district-wide financial statements provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short term as well as what remains for future spending. The fund financial statements look at the School District's operations in more detail than the district-wide financial statements by providing information about the School District's most significant funds - the General Fund, the 2001 Building and Site Fund, and the Capital Projects Fund, with all other governmental funds presented in one column as nonmajor funds. The remaining Internal Service Fund and Fiduciary Fund statements present financial information about activities for which the School District provides services to other funds and for which it acts solely as an agent for the benefit of students and parents, respectively.

Management's Discussion and Analysis (MD&A)  
(Required Supplementary Information)

#### Basic Financial Statements

District-wide Financial Statements      Fund Financial Statements

Notes to the Basic Financial Statements

(Required Supplementary Information)  
Budgetary Information for Major Funds

Other Supplementary Information

### ***Reporting the School District as a Whole - District-wide Financial Statements***

One of the most important questions asked about the School District is, "As a whole, what is the School District's financial condition as a result of the year's activities?" The statement of net assets and the statement of activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps the reader answer this question. These statements are prepared to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

# Lakeview Public Schools

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## Management's Discussion and Analysis (Continued)

These two statements report the School District's net assets - the difference between assets and liabilities, as reported in the statement of net assets - as one way to measure the School District's financial health or financial position. Over time, increases or decreases in the School District's net assets - as reported in the statement of activities - are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the School District's operating results. However, the School District's purpose is to provide services to students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the education provided and the safety of the schools, to assess the overall health of the School District.

The statement of net assets and the statement of activities report the governmental activities for the School District, which encompass all of the School District's services, including instruction, support services, community services, athletics, and food services. Property taxes, unrestricted state aid (foundation allowance revenue), and state and federal grants finance most of these activities.

### ***Reporting the School District's Most Significant Funds - Fund Financial Statements***

The School District's fund financial statements provide detailed information about the most significant funds - not the School District as a whole. Some funds are required to be established by state law and by bond covenants. However, the School District establishes several other funds to help it control and manage money for particular purposes (the Food Services and Athletic Funds are examples) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (such as bond-funded construction funds used for voter-approved capital projects). The governmental funds of the School District use the following accounting approach:

**Governmental Funds** - All of the School District's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end that are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the School District and the services it provides. Governmental fund information helps one determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. The relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds is described in a reconciliation.

# Lakeview Public Schools

## Management's Discussion and Analysis (Continued)

**Proprietary Fund** - Proprietary fund reporting focuses on economic resources measurement and an accounting method called full accrual accounting. The proprietary fund statements present a long-term view of operations and the services it provides to other funds.

The School District established a proprietary fund, specifically an Internal Service Fund, to finance specific services provided to other funds of the School District on a cost reimbursement basis. The specific services represent workers' compensation, sick leave, accrued vacation benefits, and vision, dental, and prescription benefits. Effective July 1, 2007, the Internal Service Fund also provides health benefits to the other funds.

### *The School District as Trustee - Reporting the School District's Fiduciary Responsibilities*

The School District is the trustee, or fiduciary, for student activity funds. All of the School District's fiduciary activities are reported in a separate statement of fiduciary assets and liabilities. We exclude these activities from the School District's other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

### **The School District as a Whole**

Recall that the statement of net assets provides the perspective of the School District as a whole. Table I provides a summary of the School District's net assets as of June 30, 2007 and 2006:

TABLE I	Governmental Activities	
	2007	2006
	(in millions)	
<b>Assets</b>		
Current and other assets	\$ 15.3	\$ 16.5
Capital assets	32.7	31.9
Total assets	48.0	48.4
<b>Liabilities</b>		
Current liabilities	9.1	7.8
Long-term liabilities	28.4	30.2
Total liabilities	37.5	38.0
<b>Net Assets</b>		
Investment in capital assets - Net of related debt	3.1	3.1
Restricted	2.9	1.3
Unrestricted	4.5	6.0
Total net assets	<u>\$ 10.5</u>	<u>\$ 10.4</u>

# Lakeview Public Schools

## Management's Discussion and Analysis (Continued)

The above analysis focuses on the net assets (see Table 1). The change in net assets (see Table 2) of the School District's governmental activities is discussed below. The School District's net assets were \$10.5 million at June 30, 2007. Capital assets, net of related debt totaling \$3.1 million, compares the original cost, less depreciation of the School District's capital assets to long-term debt used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. During the year ended June 30, 2007, the School District refinanced a portion of the bond debt, which will reduce the long-term cost to local taxpayers by approximately \$407,000. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District's ability to use those net assets for day-to-day operations. The remaining amount of net assets (\$4.5 million) was unrestricted.

The \$4.5 million in unrestricted net assets of governmental activities represents the accumulated results of all past years' operations. The unrestricted net assets balance enables the School District to meet working capital and cash flow requirements as well as to provide for future uncertainties. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

The results of this year's operations for the School District as a whole are reported in the statement of activities (see Table 2), which shows the changes in net assets for fiscal years 2007 and 2006.

TABLE 2

	Governmental Activities	
	2007	2006
	(in millions)	
<b>Revenue</b>		
Program revenue:		
Charges for services	\$ 0.7	\$ 0.5
Federal grants and entitlements	1.0	0.9
Operating grants	3.1	1.6
General revenue:		
Property taxes	5.2	5.0
State foundation allowance	20.8	22.1
Other	0.5	0.5
Total revenue	31.3	30.6
<b>Functions/Program Expenses</b>		
Instruction	17.8	16.8
Support services	9.3	9.2
Community services	0.3	0.3
Food services	0.7	0.7
Athletics	0.5	0.5
Interest on long-term debt	1.0	1.4
Depreciation (unallocated)	1.6	1.3
Total functions/program expenses	31.2	30.2
<b>Increase in Net Assets</b>	<b>\$ 0.1</b>	<b>\$ 0.4</b>



# Lakeview Public Schools

## Management's Discussion and Analysis (Continued)

As reported in the statement of activities, the cost of all of our governmental activities this year was \$31.2 million. Certain activities were partially funded from those who benefited from the programs (\$0.7 million) or by other governments and organizations that subsidized certain programs with grants and contributions (\$4.1 million). The School District paid for the remaining "public benefit" portion of our governmental activities with \$5.2 million in taxes, \$20.8 million in state foundation allowance, and with other revenues, i.e., interest and general entitlements.

As discussed above, the net cost shows the financial responsibility that was placed on the State and the School District's taxpayers by each of these functions. Since property taxes for operations and unrestricted state aid constitute the vast majority of district operating revenue sources, the Board of Education and administration must annually evaluate the needs of the School District and balance those needs with state-prescribed available unrestricted resources.

### The School District's Funds

As we noted earlier, the School District uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the School District is being accountable for the resources taxpayers and others provide to it and may provide more insight into the School District's overall financial health.

As the School District completed this year, the governmental funds reported a combined fund balance of \$7.2 million, which is a decrease of \$2.5 million from last year. The primary reason for the decrease was the planned spend-down of the Capital Projects Fund and 2001 Building and Site Fund as building renovations, including site improvements, progressed and were completed.

In the General Fund, the School District's principal operating fund, the fund balance decreased by approximately \$319,000. This was primarily due to contract settlements which included a 3 percent increase in salaries (approximately \$700,000), offset by energy costs being less than anticipated (approximately \$364,000).

Our Special Revenue Funds remained stable from the prior years, showing a net decrease of approximately \$50,000 due to the allocation of direct employee benefit costs to the Food Service Fund.

The combined Capital Projects Funds fund balance decreased by \$2.3 million as the School District continued renovations funded by the 2001 Bond issue and the Capital Projects Fund. The construction project was considered substantially complete at May 7, 2007.

# **Lakeview Public Schools**

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## **Management's Discussion and Analysis (Continued)**

The Debt Retirement (also termed "Debt Service") Funds showed a fund balance increase of approximately \$159,000. The debt retirement millage rate remained consistent with the prior year. Millage rates are determined annually to ensure that the School District accumulates sufficient resources to pay annual bond issue-related debt service. Durant debt obligations are funded by annual state appropriation, and no fund balance exists at year end. Debt Service Funds fund balances are reserved since they can only be used to pay debt service obligations.

### **General Fund Budgetary Highlights**

Over the course of the year, the School District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. The final amendment to the budget was adopted just before year end. A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in the required supplementary information of these financial statements.

There were revisions between the original and final 2006-2007 General Fund budget. Budgeted revenues increased overall by \$200,000 due primarily to additional revenue from federal and interdistrict sources.

Budgeted expenditures (excluding transfers) increased by approximately \$1,020,000 to account for the increase in salaries as a result of contract settlements.

The amount of transfers to other funds established in the final amended budget was \$665,000 and represents support provided by the General Fund to other funds.

# Lakeview Public Schools

## Management's Discussion and Analysis (Continued)

### Capital Assets and Debt Administration

#### *Capital Assets*

As of June 30, 2007, the School District had \$32.7 million invested in a broad range of capital assets, including land, buildings, vehicles, furniture, and equipment. This amount represents a net increase (including additions, disposals, and depreciation) of approximately \$741,000, or 2.3 percent, from last year.

	2007	2006
Land	\$ 115,900	\$ 115,900
Construction in progress	182,929	822,502
Buildings and improvements	36,378,404	35,224,807
Site improvements	3,545,887	2,082,266
Vehicles	37,789	37,789
Furniture and equipment	4,783,705	4,591,150
Total capital assets	45,044,614	42,874,414
Less accumulated depreciation	12,391,110	10,962,391
Net capital assets	<u>\$ 32,653,504</u>	<u>\$ 31,912,023</u>

This year's additions of \$2,547,700 included building renovations, site improvements, technology equipment, and more. No debt was issued for these additions since the voters approved this bond issue in 2001.

A few major and several minor capital projects are planned for the 2007-2008 fiscal year. Capital additions will be approximately \$1 million. Additional capital needs have been identified by the School District and a proposed bond of \$15 million is being brought before the voters in November 2007. Detailed information about our capital assets is presented in the notes to the financial statements.

#### *Debt*

At the end of this year, the School District had \$29.7 million in bonds outstanding versus \$30.8 million in the previous year, a decrease of approximately 3.6 percent. Those bonds consisted of the following:

	2007	2006
General obligation bonds	<u>\$ 29,675,000</u>	<u>\$ 30,785,000</u>

# Lakeview Public Schools

## Management's Discussion and Analysis (Continued)

The School District's general obligation bond rating is tied to the State's credit rating. The State limits the amount of general obligation debt that schools can issue to 15 percent of the assessed value of all taxable property within the School District's boundaries. If the School District issues "qualified debt," i.e., debt backed by the State of Michigan, such obligations are not subject to this debt limit. The School District has no outstanding unqualified general obligation debt.

Other obligations include workers' compensation, accrued vacation pay, vested sick leave, and health, vision, dental, and prescription benefits. We present more detailed information about our long-term liabilities in the notes to the financial statements.

### **Economic Factors and Next Year's Budgets and Rates**

The Board of Education and administration consider many factors when adopting the School District's fiscal year budget. One of the most important factors affecting the budget is our student count. The state foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The blended count for the 2007-2008 fiscal year is 25 percent of the February 2007 and 75 percent of the September 2007 student count. The 2007-2008 budget was adopted in June 2007 based on an estimate of students that will be enrolled in September 2007. Approximately 80 percent of total General Fund revenue is from the foundation allowance and other forms of state aid ("categoricals"). Under state law, the School District cannot assess additional property tax revenue for general operations (with limited exceptions). As a result, district funding is heavily dependent on the State's ability to fund local school operations. Based on early enrollment data at the start of the 2007-2008 school year, we anticipate that the fall student count will be short of the estimates used in developing the 2007-2008 budget. Once the final student count and related per pupil funding is validated, state law requires the School District to amend the budget if actual district resources are not sufficient to fund original appropriations.

Since the School District's revenue is heavily dependent on state funding and the health of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenues to fund its appropriation to school districts. The State periodically holds a revenue-estimating conference to estimate revenues. If actual state revenues are less than estimates, reduction to the per pupil funding allowance may be necessary.

# Lakeview Public Schools

## Statement of Net Assets June 30, 2007

	Governmental Activities
<b>Assets</b>	
Cash and investments (Note 3)	\$ 7,686,992
Receivables:	
Accounts	50,728
Taxes	165,717
Interest	8,607
Due from other governmental units	4,320,365
Inventories	4,694
Deposits	41,640
Prepaid costs	137,539
Restricted assets	2,957,430
Capital assets - Net (Note 5)	32,653,504
Total assets	48,027,216
<b>Liabilities</b>	
Accounts payable	707,020
Accrued payroll and other liabilities	2,413,538
State aid anticipation note (Note 10)	3,715,920
Due to other governmental units	49,374
Deferred revenue (Note 4)	150,110
Long-term liabilities (Note 7):	
Due within one year	2,110,887
Due in more than one year	28,390,191
Total liabilities	37,537,040
<b>Net Assets</b>	
Investment in capital assets - Net of related debt	3,138,804
Restricted:	
Debt service	496,272
Capital projects	2,401,562
Unrestricted	4,453,538
Total net assets	<u><u>\$ 10,490,176</u></u>

# Lakeview Public Schools

## Statement of Activities Year Ended June 30, 2007

	Program Revenues			Governmental
				Activities
				Net (Expense)
				Revenue and
				Changes in
				Net Assets
Expenses	Charges for	Operating		
	Services	Grants/		
		Contributions		
<b>Functions/Programs</b>				
Primary government - Governmental activities:				
Instruction	\$ 17,856,027	\$ -	\$ 3,828,719	\$ (14,027,308)
Support services	9,297,376	-	35,169	(9,262,207)
Food services	727,859	427,418	251,408	(49,033)
Athletics	488,074	36,951	-	(451,123)
Community services	335,452	252,584	-	(82,868)
Interest on long-term debt	956,774	-	-	(956,774)
Depreciation (unallocated)	1,595,448	-	-	(1,595,448)
Total primary government - Government activities	<u>\$ 31,257,010</u>	<u>\$ 716,953</u>	<u>\$ 4,115,296</u>	(26,424,761)
General revenues:				
Taxes:				
Property taxes, levied for general purposes				2,290,401
Property taxes, levied for debt services				2,918,883
State aid not restricted to specific purposes				20,795,283
Interest and investment earnings				588,263
Other				149,902
Special item - Loss on disposal of capital assets				(210,771)
Total general revenues and special item				<u>26,531,961</u>
<b>Change in Net Assets</b>				107,200
<b>Net Assets - Beginning of year</b>				<u>10,382,976</u>
<b>Net Assets - End of year</b>				<u><b>\$ 10,490,176</b></u>

# Lakeview Public Schools

## Governmental Funds Balance Sheet June 30, 2007

	General Fund	2001 Building and Site Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Cash and investments (Note 3)	\$ 6,203,447	\$ -	\$ 578,579	\$ 216,747	\$ 6,998,773
Receivables:					
Accounts	49,997	-	-	731	50,728
Taxes	132,982	-	-	32,735	165,717
Interest	6,025	-	1,513	1,069	8,607
Due from other governmental units	4,279,251	-	-	41,114	4,320,365
Due from other funds (Note 6)	101,160	-	208,400	-	309,560
Inventories	-	-	-	4,694	4,694
Restricted assets	-	2,463,537	-	493,893	2,957,430
Total assets	<u>\$ 10,772,862</u>	<u>\$ 2,463,537</u>	<u>\$ 788,492</u>	<u>\$ 790,983</u>	<u>\$ 14,815,874</u>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts payable	\$ 589,865	\$ 53,575	\$ 55,987	\$ 7,593	\$ 707,020
Accrued payroll and other liabilities	2,152,779	-	-	-	2,152,779
State aid anticipation note (Note 10)	3,715,920	-	-	-	3,715,920
Due to other funds (Note 6)	564,820	8,400	-	116,079	689,299
Due to other governmental units	49,374	-	-	-	49,374
Deferred revenue (Note 4)	293,653	-	-	30,740	324,393
Total liabilities	7,366,411	61,975	55,987	154,412	7,638,785
<b>Fund Balances</b>					
Reserved:					
Inventories	-	-	-	4,694	4,694
Debt Service Funds	-	-	-	496,272	496,272
Capital Projects Funds	-	2,401,562	-	-	2,401,562
Unreserved - Undesignated, reported in:					
General Fund	3,406,451	-	-	-	3,406,451
Special Revenue Funds	-	-	-	135,605	135,605
Capital Projects Funds	-	-	732,505	-	732,505
Total fund balances	3,406,451	2,401,562	732,505	636,571	7,177,089
Total liabilities and fund balances	<u>\$ 10,772,862</u>	<u>\$ 2,463,537</u>	<u>\$ 788,492</u>	<u>\$ 790,983</u>	<u>\$ 14,815,874</u>

# Lakeview Public Schools

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## Governmental Funds Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets June 30, 2007

**Fund Balance - Total Governmental Funds** \$ 7,177,089

Amounts reported for governmental activities in the  
statement of net assets are different because:

Capital assets used in governmental activities are not  
financial resources and are not reported in the  
governmental funds:

Cost of capital assets	\$ 45,044,614	
Accumulated depreciation	<u>(12,391,110)</u>	32,653,504

Other long-term assets not available to pay current period expenditures therefore deferred in the governmental funds	174,283
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Long-term liabilities are not due and payable in the current period and are not reported in the governmental funds - Bonds payable net of deferred charges including bond premium, issuance costs, and interest	(29,253,941)
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Accrued interest payable is not included as a liability in governmental funds	<u>(260,759)</u>
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**Net Assets - Governmental Activities** **\$ 10,490,176**



# Lakeview Public Schools

## Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2007

	General Fund	2001 Building and Site Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenue</b>					
Local sources	\$ 3,019,868	\$ 137,263	\$ 73,179	\$ 3,477,562	\$ 6,707,872
State sources	22,159,737	-	-	26,544	22,186,281
Federal sources	761,551	-	-	224,864	986,415
Interdistrict sources	1,702,714	-	-	-	1,702,714
Total revenue	27,643,870	137,263	73,179	3,728,970	31,583,282
<b>Expenditures</b>					
Current:					
Instruction	17,635,772	-	-	-	17,635,772
Support services	9,312,568	-	321	-	9,312,889
Community services	335,452	-	-	-	335,452
Food services	-	-	-	727,859	727,859
Athletics	-	-	-	488,074	488,074
Debt service:					
Principal	-	-	-	1,520,000	1,520,000
Interest	-	-	-	1,259,135	1,259,135
Other	-	-	-	146,448	146,448
Capital outlay	24,334	1,236,453	1,506,794	374	2,767,955
Total expenditures	27,308,126	1,236,453	1,507,115	4,141,890	34,193,584
<b>Excess (Deficiency) of Revenue Over Expenditures</b>	335,744	(1,099,190)	(1,433,936)	(412,920)	(2,610,302)
<b>Other Financing Sources (Uses)</b>					
Intergovernmental transfers	(2,807)	-	-	-	(2,807)
Transfers in	-	-	200,000	1,034,992	1,234,992
Transfers out	(651,482)	-	-	(583,510)	(1,234,992)
Long-term debt issued	-	-	-	13,715,000	13,715,000
Premium on long term debt issued	-	-	-	339,145	339,145
Payment to bond escrow agent	-	-	-	(13,982,972)	(13,982,972)
Total other financing sources (uses)	(654,289)	-	200,000	522,655	68,366
<b>Net Change in Fund Balances</b>	(318,545)	(1,099,190)	(1,233,936)	109,735	(2,541,936)
<b>Fund Balances - Beginning of year</b>	3,724,996	3,500,752	1,966,441	526,836	9,719,025
<b>Fund Balances - End of year</b>	<u>\$ 3,406,451</u>	<u>\$ 2,401,562</u>	<u>\$ 732,505</u>	<u>\$ 636,571</u>	<u>\$ 7,177,089</u>

# Lakeview Public Schools

## **Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2007**

**Net Change in Fund Balances - Total Governmental Funds** \$ (2,541,936)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlay as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:

Depreciation expense	\$ (1,595,448)	
Capitalized capital outlay	<u>2,547,700</u>	952,252

Governmental funds report capital outlay as expenditures when acquired; in the statement of activities, these are recorded net of the carrying value until disposed of (210,771)

Revenue is reported in the statement of activities at the time it is earned, without regard to timeliness of collection 10,294

Bond issuance costs and deferred charges (interest) are amortized in the statement of activities 1,134,329

Accrued interest is recorded in the statement of activities when incurred; it is not reported in governmental funds until paid (18,421)

Proceeds from issuance of bonds are revenue in the governmental funds, but not in the statement of activities (13,715,000)

Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities 1,520,000

Principal payment made to escrow agent 13,305,000

Underwriter's premium reported as revenue in the funds and amortized in the statement of activities (328,547)

**Change in Net Assets of Governmental Activities** \$ 107,200

# Lakeview Public Schools

## Proprietary Fund - Internal Service Fund Statement of Net Assets June 30, 2007

### Assets - Current

Cash and investments (Note 3)	\$ 688,219
Due from other funds (Note 6)	379,739
Deposits	41,640
Prepaid costs	<u>137,539</u>

Total assets 1,247,137

### Liabilities

#### Current liabilities:

Provision for uninsured losses and liabilities (Note 8)	97,000
Accrued compensated absences (Note 8)	23,207
Other employee benefits (Note 8)	<u>574,002</u>

Total current liabilities 694,209

#### Noncurrent liabilities:

Accrued compensated absences (Note 8)	542,928
Provision for uninsured losses and liabilities (Note 8)	<u>10,000</u>

Total noncurrent liabilities 552,928

Total liabilities 1,247,137

### Net Assets - Unrestricted

\$ -

# Lakeview Public Schools

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## Proprietary Fund - Internal Service Fund Statement of Revenue, Expenses, and Changes in Fund Net Assets Year Ended June 30, 2007

<b>Operating Revenues</b> - Charges for services	\$ 1,445,818
<b>Operating Expenses</b>	
Workers' compensation claims	3,956
Compensated absences	211,832
Other employee benefits	<u>1,230,030</u>
Total operating expenses	<u>1,445,818</u>
<b>Operating Income</b>	-
<b>Net Assets</b> - Beginning of year	<u>-</u>
<b>Net Assets</b> - End of year	<u><u>\$ -</u></u>

# Lakeview Public Schools

## Proprietary Fund - Internal Service Fund Statement of Cash Flows Year Ended June 30, 2007

### Cash Flows from Operating Activities

Claims paid	\$ (886,900)
Collections from other funds	<u>1,575,119</u>

Net cash provided by operating activities	<u>688,219</u>
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Net Change in Cash and Cash Equivalents	688,219
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Cash and Cash Equivalents - Beginning of year	<u>-</u>
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Cash and Cash Equivalents - End of year	<u><u>\$ 688,219</u></u>
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### Reconciliation of Operating Income to Net Cash from Operating Activities

Operating income	\$ -
Adjustments to reconcile operating income to net cash from operating activities - Changes in assets and liabilities:	
Due from other funds	308,480
Deposits	(41,640)
Prepaid costs	(137,539)
Provision for uninsured losses and liabilities	(93,000)
Accrued other employee benefits	469,022
Accrued compensated absences	<u>182,896</u>

Net cash provided by operating activities	<u><u>\$ 688,219</u></u>
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# Lakeview Public Schools

## Fiduciary Fund Statement of Fiduciary Assets and Liabilities June 30, 2007

	Student Activities <u>Agency Fund</u>
<b>Assets</b>	
Cash and investments (Note 3)	\$ 242,517
Interest receivable	<u>296</u>
Total assets	<u><b>\$ 242,813</b></u>
<b>Liabilities</b>	
Accounts payable	\$ 8,608
Due to student groups	<u>234,205</u>
Total liabilities	<u><b>\$ 242,813</b></u>

### **Note I - Summary of Significant Accounting Policies**

The accounting policies of Lakeview Public Schools (the "School District") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the School District:

#### **Reporting Entity**

The School District is governed by an elected seven-member Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the School District's reporting entity, and which organizations are legally separate, component units of the School District. Based on the application of the criteria, the School District does not contain any component units.

#### **District-wide and Fund Financial Statements**

The district-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All of the School District's district-wide activities are considered governmental activities.

### **Note I - Summary of Significant Accounting Policies (Continued)**

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments, and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though fiduciary funds are excluded from the district-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

#### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

**District-wide Financial Statements** - The district-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants, categorical aid, and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of interfund activity has been eliminated from the district-wide financial statements.



### **Note I - Summary of Significant Accounting Policies (Continued)**

Amounts reported as program revenue include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes and unrestricted state aid.

**Special Item** - Transactions within the control of management that are either unusual in nature or infrequent in occurrence are reported as special items in the statement of activities. During the current year, the School District disposed of certain fixed assets, incurring a net loss of \$210,771.

**Fund Financial Statements** - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, unrestricted state aid, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the School District.

### **Note I - Summary of Significant Accounting Policies (Continued)**

**Proprietary Fund and Fiduciary Fund** - The proprietary fund and fiduciary fund statements are also reported using the economic resources measurement focus and the accrual basis of accounting. Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operation. The principal revenue in our proprietary fund relates to charges to other funds for services. Operating expenses for proprietary funds include the costs of services. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

The School District reports the following major governmental funds:

**General Fund** - The General Fund is the School District's primary operating fund. It accounts for all financial resources of the School District, except those required to be accounted for in another fund.

**200I Building and Site Fund** - The 200I Building and Site Fund is used to record bond proceeds or other revenue and the disbursement of invoices specifically designated for acquiring new school sites, buildings, equipment, and for remodeling. The fund operates until the purpose for which it was created is accomplished.

**Capital Projects Fund** - The Capital Projects Fund is used to record receipts and the disbursement of monies specifically designated for acquiring new school sites, buildings, equipment, and for major remodeling. The fund is kept open until the purpose for which the fund was created has been accomplished.

Additionally, the School District reports the following fund types:

**Special Revenue Funds** - Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditure for specified purposes. The School District's Special Revenue Funds include the Food Services and Athletic Funds. Any operating deficit generated by these activities is the responsibility of the General Fund.

**Debt Service Funds** - Debt Service Funds are used to record tax, interest, state, and other revenue for payment of interest, principal, and other expenditures on the 200I Bond Issue, 2006 Refunding Bond Issue, 2007 Refunding Bond Issue, and the Durant Non-Plaintiff settlement.

### **Note 1 - Summary of Significant Accounting Policies (Continued)**

**Internal Service Fund** – The Internal Service Fund accounts for risk management services provided to other departments of the School District on a cost-reimbursement basis. The Internal Service Fund also accounts for earned but unused accumulated vacation and sick leave benefits as well as vision, dental, and prescription benefits. Effective July 1, 2007, the Internal Service Fund also accounts for the School District's partially self-insured health benefits.

**Fiduciary Fund** - The School District's only fiduciary fund is the Student Activities Fund. This fund is used to account for assets held by the School District in a trustee capacity or as an agent. The Agency Fund is custodial in nature (assets equal liabilities) and does not involve the measurement of results of operations. The Student Activities Fund is used to record the transactions of student groups for school and school-related purposes.

#### **Assets, Liabilities, and Net Assets or Equity**

**Cash and Investments** - Cash and investments include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. Investment income is recorded in the fund for which the investment account was established.

**Receivables and Payables** - In general, outstanding balances between funds are reported as "due to/from other funds." Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds."

Property tax and other receivables are shown net of an allowance for uncollectible amounts. The School District considers all receivables to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded. Property taxes are assessed as of December 31 and the related property taxes become a lien on July 1 of the following year. Taxes are considered delinquent on February 15 of the following year. At this time, penalties and interest are assessed and the total obligation is added to the county tax rolls.

**Inventories** - Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

**Restricted Assets** - The unspent bond proceeds and related interest of the Capital Projects Funds require amounts to be set aside for construction. Tax revenue collected has also been set aside for debt principal and interest payments. These amounts have been classified as restricted assets.

### Note I - Summary of Significant Accounting Policies (Continued)

**Capital Assets** - Capital assets, which include land, buildings, equipment, and vehicles, are reported in the applicable governmental column in the district-wide financial statements. Capital assets are defined by the School District as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend asset life are not capitalized. The School District does not have infrastructure-type assets.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	20-50 years
Site improvements	20 years
Vehicles	7 years
Furniture and equipment	5-15 years

**Compensated Absences** - The liability for compensated absences reported in the proprietary fund statements consists of earned but unused accumulated vacation and sick leave benefits. The liability has been calculated using the vesting method, in which leave amounts for both employees who are currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

**Long-term Obligations** - In the district-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period.

The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

### **Note 1 - Summary of Significant Accounting Policies (Continued)**

**Fund Equity** - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**Comparative Data** - Comparative data is not included in the School District's financial statements.

### **Note 2 - Stewardship, Compliance, and Accountability**

**Budgetary Information** - Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and state law for the General Fund and all Special Revenue Funds. The School District also elected to adopt annual budgets for its Debt Service Fund and Capital Projects Funds. All annual appropriations lapse at fiscal year end.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the School District to have its budget in place by July 1. Expenditures in excess of amounts budgeted are a violation of Michigan law. State law permits districts to amend their budgets during the year. During the year, the budget was adopted in a legally permissible manner. There was a significant amendment during the year to reflect additional salary and benefit expenditures as a result of contract settlements.

**Capital Projects Fund Compliance** - The 2001 Building and Site Fund includes capital project activities funded with bonds issued after May 1, 1994. For these capital projects, the School District has complied with the applicable provisions of §1351a of the State of Michigan's School Code.

Beginning with the year of bond issuance, the School District has reported the annual construction activity in the 2001 Building and Site Fund. The projects for which the 2001 Building and Site Bonds were issued were considered substantially complete at May 7, 2007 and the cumulative expenditures recognized for the construction period were \$36,810,006.

### **Note 3 - Deposits and Investments**

State statutes (and the School District's investment policy) authorize the School District to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The School District is allowed to invest in U.S. Treasury or agency obligations, U.S. government repurchase agreements, bankers' acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles. The School District's deposits are in accordance with statutory authority.

The School District has designated 10 banks for the deposit of its funds.

The investment policy adopted by the board has authorized investments as listed in the state statutory authority as listed above.

The School District's cash and investments are subject to several types of risk, which are examined in more detail below:

#### **Custodial Credit Risk of Bank Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District's investment policy requires that financial institutions be evaluated and only those with an acceptable risk level are used for the School District's deposits for custodial credit risk. At year end, the School District's deposit balance of \$11,176,579 had \$10,776,579 of bank deposits (certificates of deposit, checking and savings accounts) that were uninsured and uncollateralized. The School District believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits.

As a result, the School District evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

#### **Custodial Credit Risk of Investments**

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District's policy for custodial credit risk states that custodial credit risk will be minimized by limiting investments to the types of securities allowed by state law and by pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisors with which the School District will do business using the criteria established in the investment policy. The School District does not have investments with custodial credit risk.

**Note 3 - Deposits and Investments (Continued)****Interest Rate Risk**

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The School District's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a 270-day maturity. The School District's policy minimizes interest rate risk by requiring the structuring of the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the School District's cash requirements.

**Credit Risk**

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The School District's investment policy does not further limit its investment choices.

At year end, the maturities of investments and the credit quality ratings of debt securities (other than the U.S. government) are as follows:

<u>Investment</u>	<u>Fair Value</u>	<u>Maturities</u>	<u>Rating</u>	<u>Rating Organization</u>
Michigan Liquid Asset Fund	\$263,753	N/A	AAAm	Standard & Poors

**Concentration of Credit Risk**

The School District places no limit on the amount the School District may invest in any one issuer. The School District's policy minimizes concentration of credit risk by requiring diversification of the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. All of the School District's investments are in the Michigan Liquid Asset Fund.

**Foreign Currency Risk**

Foreign currency risk is the risk that an investment denominated in the currency of a foreign country could reduce its U.S. dollar value as a result of changes in foreign currency exchange rates. State law and the School District's policy prohibit investment in foreign currency.

# Lakeview Public Schools

## Notes to Financial Statements June 30, 2007

### Note 4 - Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	Unavailable	Unearned
Delinquent property taxes	\$ 155,688	\$ -
Payments not received within 60 days of year end	18,595	-
Grant and categorical aid payments received prior to meeting all eligibility requirements	-	150,110
Total	<u>\$ 174,283</u>	<u>\$ 150,110</u>

### Note 5 - Capital Assets

Capital asset activity of the School District's governmental activities was as follows:

	Balance July 1, 2006	Reclassifications	Additions	Disposals	Balance June 30, 2007
Capital assets not being depreciated:					
Land	\$ 115,900	\$ -	\$ -	\$ -	\$ 115,900
Construction in progress	822,502	(822,229)	182,656	-	182,929
Subtotal	938,402	(822,229)	182,656	-	298,829
Capital assets being depreciated:					
Buildings and improvements	35,224,807	441,121	712,476	-	36,378,404
Site improvements	2,082,266	348,803	1,492,318	377,500	3,545,887
Vehicles	37,789	-	-	-	37,789
Furniture and equipment	4,591,150	32,305	160,250	-	4,783,705
Subtotal	41,936,012	822,229	2,365,044	377,500	44,745,785
Accumulated depreciation:					
Buildings and improvements	8,416,415	-	1,122,421	-	9,538,836
Site improvements	521,760	-	159,407	166,729	514,438
Vehicles	34,010	-	-	-	34,010
Furniture and equipment	1,990,206	-	313,620	-	2,303,826
Subtotal	10,962,391	-	1,595,448	166,729	12,391,110
Net capital assets being depreciated	30,973,621	822,229	769,596	210,771	32,354,675
Net governmental capital assets	<u>\$ 31,912,023</u>	<u>\$ -</u>	<u>\$ 952,252</u>	<u>\$ 210,771</u>	<u>\$ 32,653,504</u>



# Lakeview Public Schools

## Notes to Financial Statements June 30, 2007

### Note 5 - Capital Assets (Continued)

Depreciation expense was not charged to activities as the School District considers its assets to impact multiple activities and allocation is not practical.

### Note 6 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Fund Due To	Fund Due From			Total
	General Fund	2001 Building and Site Fund	Nonmajor Governmental Funds	
General Fund	\$ -	\$ -	\$ 101,160	\$ 101,160
Capital Projects Fund	200,000	8,400		208,400
Internal Service Fund	364,820	-	14,919	379,739
Total	<u>\$ 564,820</u>	<u>\$ 8,400</u>	<u>\$ 116,079</u>	<u>\$ 689,299</u>

Interfund balances represent routine and temporary cash flow assistance from the General Fund until amounts are transferred from fund investment accounts. Amounts for the 2001 Building and Site Fund represent amounts to be paid to the Capital Projects Fund for reimbursement of expenditures paid for on behalf of the 2001 Building and Site Fund. Amounts for the Internal Service Fund represent amounts to be paid from the General Fund and Food Service Fund to satisfy future workers' compensation, compensated absence, and vision, dental, prescription, and health obligations.

### Interfund Transfers

Transfers Out	Transfers In		Total
	Capital Projects Fund	Nonmajor Governmental Funds	
General Fund	\$ 200,000	\$ 451,482	\$ 651,482
Nonmajor governmental funds	-	583,510	583,510
Total	<u>\$ 200,000</u>	<u>\$ 1,034,992</u>	<u>\$ 1,234,992</u>

# Lakeview Public Schools

## Notes to Financial Statements June 30, 2007

### Note 6 - Interfund Receivables, Payables, and Transfers (Continued)

Transfers from the General Fund provided funding for the Athletics and the Capital Projects Funds. Transfers from the 2001 Bond Fund provided funding for principal and interest payments on the 2006 Refunding Bonds. In addition, the 2001 Bond Fund transferred funds to the 2007 Refunding Bond Fund related to the defeasance of a portion of the 2001 bonds.

### Note 7 - Long-term Debt

The School District issues bonds to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. Other long-term obligations include compensated absences, workers' compensation, and self-insurance for vision, dental, prescriptions, and health (effective July 1, 2007).

Long-term obligation activity can be summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 30,785,000	\$ 13,715,000	\$ 14,825,000	\$ 29,675,000	\$ 1,480,000
Durant Non-Plaintiff Bond	384,723	-	-	384,723	-
Less deferred amounts:					
Bond premium	-	339,145	10,598	328,547	28,262
Deferred issuance costs	-	(146,173)	(4,568)	(141,605)	(12,181)
Deferred charges (interest) from refunding bonds	-	(1,044,450)	(51,726)	(992,724)	(79,403)
Total bonds payable	31,169,723	12,863,522	14,779,304	29,253,941	1,416,678
Other obligations:					
Workers' compensation	200,000	3,956	96,956	107,000	97,000
Employee compensated absences	383,239	211,832	28,936	566,135	23,207
Other employee benefits	104,980	1,230,030	761,008	574,002	574,002
Total governmental activities	<u>\$ 31,857,942</u>	<u>\$ 14,309,340</u>	<u>\$ 15,666,204</u>	<u>\$ 30,501,078</u>	<u>\$ 2,110,887</u>

# Lakeview Public Schools

## Notes to Financial Statements June 30, 2007

### Note 7 - Long-term Debt (Continued)

Annual debt service requirements to maturity for the above bond obligations are as follows:

	Governmental Activities		
	Principal	Interest	Total
2008	\$ 1,480,000	\$ 1,296,342	\$ 2,776,342
2009	1,591,261	1,239,236	2,830,497
2010	1,667,986	1,167,536	2,835,522
2011	1,970,116	1,168,723	3,138,839
2012	1,896,688	1,012,256	2,908,944
2013-2017	10,888,672	3,656,319	14,544,991
2018-2021	10,565,000	1,064,304	11,629,304
Total	<u>\$ 30,059,723</u>	<u>\$ 10,604,716</u>	<u>\$ 40,664,439</u>

#### Governmental Activities

General obligation bonds consist of the following at June 30, 2007:

\$35,380,000 serial bonds due in annual installments of \$1,480,000 to \$1,890,000 through May 1, 2013; interest from 4.5 percent to 5 percent	\$ 10,070,000
\$6,000,000 serial bonds due in annual installments of \$30,000 to \$2,805,000 through May 1, 2021; interest from 3.5 percent to 4 percent	6,000,000
\$13,715,000 serial bonds due in annual installments of \$25,000 to \$2,445,000 through May 1, 2019, interest from 3.75 percent to 5	<u>13,605,000</u>
Total bonded debt	<u>\$ 29,675,000</u>

### **Note 7 - Long-term Debt (Continued)**

**Durant Non-Plaintiff Bond** - Included in Governmental Activities General Obligation Bonds is the Durant Non-Plaintiff Bond. Annual total payments (principal and interest) associated with this bond are funded by the State of Michigan via specifically appropriated state aid and will not require any School District debt levy or utilization of any other School District financial resources. The Durant Non-Plaintiff Bond is comprised of the following issue: \$651,561 School Improvement Bond, Series 1998, due in annual installments of \$36,261 to \$225,116 through May 15, 2013, with interest at 4.76 percent. During the year ended June 30, 2007, the State of Michigan revised the payment schedule of the obligation. The total obligation was not changed and the revised payment schedule is reflected in the schedule of bonded indebtedness.

**Advanced Refundings** - During the year, the School District issued \$13,715,000 in general obligation bonds with an average interest rate of 4.33 percent. The net proceeds of \$13,907,972 (after payment of \$146,173 in underwriting fees, insurance, and other issuance costs) plus an additional \$75,000 of the School District's 2001 Debt Fund monies were used to purchase U.S. government securities and were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the original bonds. As a result, the bonds are considered to be defeased and the liability for the bonds has been removed from the School District's long-term obligation. The advance refunding reduced total debt service payments by \$472,000, which represents an economic gain of approximately \$407,000.

In prior years, the School District defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust accounts assets and liabilities for the defeased bonds are not included in the basic financial statements. At June 30, 2007, \$5,630,000 of bonds outstanding are considered defeased.

### **Note 8 - Risk Management**

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The School District purchased commercial insurance for risks of loss related to health benefit claims through June 30, 2007 and participates in the MASB-SEF property/casualty pool for claims relating to property loss, torts, and errors and omissions; the School District is partially self-insured for dental, vision, prescription, and workers' compensation claims. Effective July 1, 2007, the School District is partially self-insured for health benefit claims.

### **Note 8 - Risk Management (Continued)**

Under the plan, the School District's maximum loss is limited to \$200,000 per claim. Losses in excess of this limitation are insured up to an aggregate limit of \$5,000,000. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The shared-risk pool program in which the School District participates operates as a common risk-sharing management program for school districts in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

The School District estimates the liability for workers' compensation claims that have been incurred through the end of the fiscal year, including both those claims that have been reported as well as those that have not yet been reported. These estimates are recorded in the district-wide statements.

Changes in the estimated liability for the past two fiscal years were as follows:

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### **Note 9 - Defined Benefit Pension Plan and Postemployment Benefits**

**Plan Description** - The School District participates in the Michigan Public School Employees' Retirement System (MPERS), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the School District. The system provides retirement, survivor, and disability benefits to plan members and their beneficiaries. The Michigan Public School Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the system at P.O. Box 30171, Lansing, MI 48909-7671 or viewed online at <http://www.Michigan.gov/orsschools/>.

### **Note 9 - Defined Benefit Pension Plan and Postemployment Benefits (Continued)**

**Funding Policy** - Employer contributions to the system result from the implementing effects of the School Finance Reform Act. Under these procedures, each school district is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis.

The pension benefit rate totals 16.34 percent for the period from July 1, 2006 through September 30, 2006 and 17.74 percent from October 1, 2007 through June 30, 2007 of the covered payroll to the plan. Basic plan members make no contributions, but member investment plan members contribute at rates ranging from 3 percent to 4.3 percent of gross wages. The School District's contributions to the MPSERS plan for the years ended June 30, 2007, 2006, and 2005 were \$3,239,922, \$2,937,353, and \$2,033,629, respectively.

**Postemployment Benefits** - Under the MPSERS Act, all retirees participating in the MPSERS pension plan have the option of continuing health, dental, and vision coverages. Retirees having these coverages contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health, dental, and vision coverages. Required contributions for post-employment healthcare benefits are included as part of the School District's total contribution to the MPSERS plan discussed above.

### **Note 10 - State Aid Anticipation Note**

During the year ended June 30, 2007, the School District borrowed \$3,600,000 at 3.68 percent annual interest on a state aid anticipation note. The note and related interest matured on August 20, 2007.

### **Note 11 - Subsequent Event**

On August 20, 2007, the School District borrowed \$2,600,000 at 3.68 percent annual interest on a state aid anticipation note. The note, plus interest, is due August 20, 2008.

## **Required Supplementary Information**

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# Lakeview Public Schools

## Required Supplementary Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2007

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
<b>Revenue</b>				
Local sources	\$ 2,621,208	\$ 2,883,900	\$ 3,019,868	\$ 135,968
State sources	22,751,200	22,261,200	22,159,737	(101,463)
Federal sources	679,000	754,600	761,551	6,951
Interdistrict sources	1,480,600	1,852,600	1,702,714	(149,886)
Total revenue	27,532,008	27,752,300	27,643,870	(108,430)
<b>Expenditures - Current</b>				
Instruction:				
Basic programs	13,105,858	13,694,305	13,797,707	103,402
Added needs	3,349,890	3,627,100	3,848,400	221,300
Support services:				
Pupil	1,976,200	1,951,400	1,936,183	(15,217)
Instructional staff	1,002,700	1,081,300	1,112,741	31,441
General administration	589,440	577,100	501,421	(75,679)
School administration	1,967,420	1,960,350	1,905,001	(55,349)
Business services	594,600	656,800	604,088	(52,712)
Operation and maintenance	2,663,700	2,733,450	2,366,356	(367,094)
Security services	127,500	141,700	183,445	41,745
Pupil transportation services	276,200	282,900	336,760	53,860
Staff/Personnel services	266,000	191,600	171,557	(20,043)
Data processing services	210,600	207,300	209,015	1,715
Community services	35,400	43,900	49,333	5,433
Custody and Care of Child	219,600	280,800	286,119	5,319
Site improvement services	25,000	-	-	-
Total expenditures	26,410,108	27,430,005	27,308,126	(121,879)
<b>Other Financing Uses</b>				
Intergovernmental transfers	(16,900)	(9,000)	(2,807)	(6,193)
Transfers out	(1,105,000)	(665,000)	(651,482)	(13,518)
Total other financing uses	(1,121,900)	(674,000)	(654,289)	(19,711)
Total expenditures and other financing uses	27,532,008	28,104,005	27,962,415	(141,590)
<b>Net Change in Fund Balance</b>	-	(351,705)	(318,545)	33,160
<b>Fund Balance - July 1, 2006</b>	2,515,881	3,753,735	3,724,996	(28,739)
<b>Fund Balance - June 30, 2007</b>	<u>\$ 2,515,881</u>	<u>\$ 3,402,030</u>	<u>\$ 3,406,451</u>	<u>\$ 4,421</u>



## **Other Supplementary Information**

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# Lakeview Public Schools

## Other Supplementary Information Combining Balance Sheet Nonmajor Governmental Funds June 30, 2007

	Special Revenue Funds		Debt Service Funds				Total
	Food Services	Athletics	Durant Non-Plaintiff Issue	2001 Bond Fund	2006 Bond Fund	2007 Bond Fund	
<b>Assets</b>							
Cash and investments	\$ 202,751	\$ 13,996	\$ -	\$ -	\$ -	\$ -	\$ 216,747
Receivables:							
Accounts	731	-	-	-	-	-	731
Taxes	-	-	-	32,735	-	-	32,735
Interest	-	-	-	1,069	-	-	1,069
Due from other governmental units	41,114	-	-	-	-	-	41,114
Inventories	4,694	-	-	-	-	-	4,694
Restricted assets	-	-	-	493,893	-	-	493,893
Total assets	<u>\$ 249,290</u>	<u>\$ 13,996</u>	<u>\$ -</u>	<u>\$ 527,697</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 790,983</u>
<b>Liabilities and Fund Balances</b>							
<b>Liabilities</b>							
Accounts payable	\$ 110	\$ 6,798	\$ -	\$ 685	\$ -	\$ -	\$ 7,593
Due to other funds	108,881	7,198	-	-	-	-	116,079
Deferred revenue	-	-	-	30,740	-	-	30,740
Total liabilities	108,991	13,996	-	31,425	-	-	154,412
<b>Fund Balances</b>							
Reserved:							
Inventories	4,694	-	-	-	-	-	4,694
Debt Service Funds	-	-	-	496,272	-	-	496,272
Unreserved - Undesignated, reported in:							
Special Revenue Funds	135,605	-	-	-	-	-	135,605
Total fund balances	140,299	-	-	496,272	-	-	636,571
Total liabilities and fund balances	<u>\$ 249,290</u>	<u>\$ 13,996</u>	<u>\$ -</u>	<u>\$ 527,697</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 790,983</u>

# Lakeview Public Schools

## Other Supplementary Information Combining Statement of Revenue, Expenditures, and Changes in Fund Balances Nonmajor Governmental Funds Year Ended June 30, 2007

	Special Revenue Funds		Debt Service Funds				Total
	Food Services	Athletics	Durant Non-Plaintiff Issue	2001 Bond Fund	2006 Bond Fund	2007 Bond Fund	
<b>Revenue</b>							
Local	\$ 427,418	\$ 36,951	\$ -	\$ 3,013,193	\$ -	\$ -	\$ 3,477,562
State	26,544	-	-	-	-	-	26,544
Federal	224,864	-	-	-	-	-	224,864
Total revenue	678,826	36,951	-	3,013,193	-	-	3,728,970
<b>Expenditures</b>							
Current:							
Food services	727,859	-	-	-	-	-	727,859
Athletics	-	488,074	-	-	-	-	488,074
Debt service:							
Principal	-	-	-	1,410,000	-	110,000	1,520,000
Interest	-	-	-	860,625	269,969	128,541	1,259,135
Other	-	-	-	275	-	146,173	146,448
Capital outlay	15	359	-	-	-	-	374
Total expenditures	727,874	488,433	-	2,270,900	269,969	384,714	4,141,890
<b>Excess of Revenue Over (Under) Expenditures</b>	(49,048)	(451,482)	-	742,293	(269,969)	(384,714)	(412,920)
<b>Other Financing Sources (Uses)</b>							
Transfers in	-	451,482	-	-	269,969	313,541	1,034,992
Transfers out	-	-	-	(583,510)	-	-	(583,510)
Long-term debt issued	-	-	-	-	-	13,715,000	13,715,000
Premium on long-term debt issued	-	-	-	-	-	339,145	339,145
Payment to bond escrow agent	-	-	-	-	-	(13,982,972)	(13,982,972)
Total other financing sources (uses)	-	451,482	-	(583,510)	269,969	384,714	522,655
<b>Net Change in Fund Balances</b>	(49,048)	-	-	158,783	-	-	109,735
<b>Fund Balances - Beginning of year</b>	189,347	-	-	337,489	-	-	526,836
<b>Fund Balances - End of year</b>	<u>\$ 140,299</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 496,272</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 636,571</u>

# Lakeview Public Schools

## Other Supplementary Information Schedule of Bonded Indebtedness Year Ended June 30, 2007

June 30	Durant Principal	2001 Bond Issue Principal	2006 Refunding Bond Issue Principal	2007 Refunding Bond Issue Principal
2008	\$ -	\$ 1,480,000	\$ -	\$ -
2009	36,261	1,555,000	-	-
2010	37,986	1,630,000	-	-
2011	225,116	1,715,000	30,000	-
2012	41,688	1,800,000	30,000	25,000
2013	43,672	1,890,000	30,000	60,000
2014	-	-	35,000	2,050,000
2015	-	-	35,000	2,130,000
2016	-	-	35,000	2,215,000
2017	-	-	40,000	2,325,000
2018	-	-	40,000	2,445,000
2019	-	-	225,000	2,355,000
2020	-	-	2,695,000	-
2021	-	-	2,805,000	-
Total	<b><u>\$ 384,723</u></b>	<b><u>\$ 10,070,000</u></b>	<b><u>\$ 6,000,000</u></b>	<b><u>\$ 13,605,000</u></b>
Principal payments due	May 15	May 1	May 1	May 1
Interest payments due	May 15	May 1 and November 1	May 1 and November 1	May 1 and November 1
Interest rate	4.76%	4.5% to 5.0%	3.5% to 4.0%	3.75% to 5.0%
Original issue	<b><u>\$ 651,561</u></b>	<b><u>\$ 35,380,000</u></b>	<b><u>\$ 6,000,000</u></b>	<b><u>\$ 13,715,000</u></b>

# **Lakeview Public Schools**

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**Federal Awards  
Supplemental Information  
June 30, 2007**

# Lakeview Public Schools

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## Independent Auditor's Report

To the Board of Education  
Lakeview Public Schools

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lakeview Public Schools as of and for the year ended June 30, 2007, which collectively comprise Lakeview Public Schools' basic financial statements, and have issued our report thereon dated October 30, 2007. Those basic financial statements are the responsibility of the management of Lakeview Public Schools. Our responsibility was to express opinions on those basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lakeview Public Schools' basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information in this schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinions, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Plante & Moran, PLLC*

October 30, 2007

Report on Internal Control Over Financial Reporting and on Compliance  
and Other Matters Based on an Audit of Financial Statements Performed  
in Accordance with *Government Auditing Standards*

To the Board of Education  
Lakeview Public Schools

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lakeview Public Schools as of and for the year ended June 30, 2007, which collectively comprise Lakeview Public Schools' basic financial statements, and have issued our report thereon dated October 30, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Lakeview Public Schools' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Lakeview Public Schools' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Lakeview Public Schools' internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency and a material weakness.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal controls. We consider the control deficiency described in the accompanying schedule of findings and questioned costs as item 07-1 to be a significant deficiency in internal control over financial reporting.



To the Board of Education  
Lakeview Public Schools

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We believe the deficiency described in the schedule of findings and questioned costs as item 07-I constitutes a material weakness.

We noted certain matters that we have reported to the management of Lakeview Public Schools in a separate letter dated October 30, 2007.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Lakeview Public Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Lakeview Public Schools' response to the significant deficiency and findings relating to compliance and other matters identified in our audit and described in the accompanying schedule of findings and questioned costs has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Education, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Plante & Moran, PLLC*

October 30, 2007



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## Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

To the Board of Education  
Lakeview Public Schools

### Compliance

We have audited the compliance of Lakeview Public Schools with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended June 30, 2007. The major federal program of Lakeview Public Schools is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of Lakeview Public Schools' management. Our responsibility is to express an opinion on Lakeview Public Schools' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Lakeview Public Schools' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Lakeview Public Schools' compliance with those requirements.

In our opinion, Lakeview Public Schools complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2007.

To the Board of Education  
Lakeview Public Schools

### **Internal Control Over Compliance**

The management of Lakeview Public Schools is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Lakeview Public Schools' internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

We noted certain matters that we have reported to the management of Lakeview Public Schools in a separate letter dated October 30, 2007.

This report is intended solely for the information and use of the Board of Education, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Plante & Moran, PLLC*

October 30, 2007

# Lakeview Public Schools

Program Title/Project Number	CFDA Number	Approved Awards Amount	(Memo Only) Prior Year Expenditures
Clusters:			
Child Nutrition Cluster - U.S. Department of Agriculture - Passed through the Michigan Department of Education:			
National School Breakfast Program:	10.553		
2005-2006		\$ 20,474	\$ 20,474
2006-2007		25,837	-
Total School Breakfast Program		46,311	20,474
National School Lunch Program:	10.555		
2005-2006		150,542	150,542
2006-2007		173,196	-
Total School Lunch Program		323,738	150,542
Total Child Nutrition Cluster		370,049	171,016
Special Education Cluster - U.S. Department of Education - Passed through the Macomb County ISD:			
IDEA:	84.027		
Project number 060450-0506		488,513	486,550
Project number 070450-0607		507,508	-
Total IDEA		996,021	486,550
Preschool Incentive:	84.173		
Project number 060460-0506		9,420	9,418
Project number 070460-0607		10,752	-
Total Preschool Incentive		20,172	9,418
IDEA Transition - Project number 070490-TS	84.027	1,742	-
Total Special Education Cluster		1,017,935	495,968

## Schedule of Expenditures of Federal Awards Year Ended June 30, 2007

Accrued Revenue at July 1, 2006	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Expenditures	Accrued (Deferred) Revenue at June 30, 2007
\$ 1,189	\$ -	\$ 1,189	\$ -	\$ -
-	-	20,135	25,837	5,702
1,189	-	21,324	25,837	5,702
9,067	-	9,067	-	-
-	-	137,784	173,196	35,412
9,067	-	146,851	173,196	35,412
10,256	-	168,175	199,033	41,114
120,166	-	122,129	1,963	-
-	-	380,631	507,508	126,877
120,166	-	502,760	509,471	126,877
2,353	-	2,353	-	-
-	-	8,064	10,752	2,688
2,353	-	10,417	10,752	2,688
-	-	1,720	1,484	(236)
122,519	-	514,897	521,707	129,329

# Lakeview Public Schools

Program Title/Project Number	CFDA Number	Approved Awards Amount	(Memo Only) Prior Year Expenditures
Other federal awards:			
U.S. Department of Education:			
Passed through the Michigan Department of Education:			
Title I:	84.010		
Project number 061530-0506		\$ 64,856	\$ 56,130
Project number 061530-0607		12,755	-
Project number 071530-0607		85,082	-
Total Title I		162,693	56,130
Title II, Part A:	84.367		
Project number 060520-0607		41,212	-
Project number 070520-0607		79,473	-
Total Title II, Part A		120,685	-
Title II, Part D - Enhancing Education Through Technology:	84.318		
Project number 064290-0607		1,586	-
Project number 074290-0607		873	-
Total Enhancing Education Through Technology		2,459	-
Title V:	84.298		
Project number 060250-0607		1,199	-
Project number 070250-0607		618	-
Total Title V		1,817	-
Hurricane Katrina Relief FY 2006 Project	84.938	445	446
Total noncluster programs passed through the Michigan Department of Education		288,099	56,576

## Schedule of Expenditures of Federal Awards Year Ended June 30, 2007

Accrued Revenue at July 1, 2006	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Expenditures	Accrued (Deferred) Revenue at June 30, 2007
\$ -	\$ -	\$ 8,726	\$ 8,726	\$ -
-	-	-	8,705	8,705
-	-	73,986	85,082	11,096
-	-	82,712	102,513	19,801
-	-	29,366	41,212	11,846
-	-	68,836	79,473	10,637
-	-	98,202	120,685	22,483
-	-	1,488	1,586	98
-	-	650	872	222
-	-	2,138	2,458	320
-	-	995	1,199	204
-	-	467	618	151
-	-	1,462	1,817	355
446	(1)	445	-	-
446	(1)	184,959	227,473	42,959

# Lakeview Public Schools

Program Title/Project Number	CFDA Number	Approved Awards Amount	(Memo Only) Prior Year Expenditures
Other federal awards (Continued):			
U.S. Department of Education (Continued):			
Passed through the Macomb County ISD (Continued):			
2006 Project TAME - Q184E050079	84.184E	\$ 3,000	\$ 3,000
2007 Project TAME - Q184E050079		<u>3,000</u>	<u>-</u>
Total TAME		6,000	3,000
Passed through Lake Shore Public Schools - Vocational			
Education - Basic Grant to States (Perkins II)	84.048A	<u>9,400</u>	<u>-</u>
Total noncluster U.S. Department of Education		303,499	59,576
U.S. Department of Agriculture - Passed through the Michigan			
Department of Education - Food distribution -	10.550		
Entitlement commodities - 2006-2007		<u>26,947</u>	<u>-</u>
Total U.S. Department of Agriculture		<u>26,947</u>	<u>-</u>
Total federal awards		<u><b>\$ 1,718,430</b></u>	<u><b>\$ 726,560</b></u>



## Schedule of Expenditures of Federal Awards Year Ended June 30, 2007

Accrued Revenue at July 1, 2006	Adjustments and Transfers	Federal Funds/ Payments In-kind Received	Expenditures	Accrued (Deferred) Revenue at June 30, 2007
\$ 3,000	\$ -	\$ 3,000	\$ -	\$ -
-	-	3,000	3,000	-
3,000	-	6,000	3,000	-
-	-	9,371	9,371	-
3,446	(1)	200,330	239,844	42,959
-	-	25,831	25,831	-
-	-	25,831	25,831	-
<b>\$ 136,221</b>	<b>\$ (1)</b>	<b>\$ 909,233</b>	<b>\$ 986,415</b>	<b>\$ 213,402</b>

# **Lakeview Public Schools**

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## **Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2007**

### **Note 1 - Significant Accounting Policies**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Lakeview Public Schools and is presented on the same basis of accounting as the basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

### **Note 2 - Noncash Assistance**

The value of the noncash assistance received was determined in accordance with the provisions of OMB Circular A-133.

### **Note 3 - Grant Section Auditor's Report**

Management has utilized Form R-7120 and the Cash Management System (CMS) grant auditor report in preparing the schedule of expenditures of federal awards. Unreconciled differences, if any, have been disclosed to the auditor.

### **Note 4 - Adjustments and Transfers**

During the year ended June 30, 2007, an adjustment of \$1 was recorded to the Hurricane Katrina Relief grant due to a miscellaneous reconciling item in the general ledger.

# Lakeview Public Schools

## Schedule of Findings and Questioned Costs Year Ended June 30, 2007

### Section I - Summary of Auditor's Results

#### Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? ☒ Yes ☐ No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? ☐ Yes ☒ None reported

Noncompliance material to financial statements noted? ☐ Yes ☒ No

#### Federal Awards

Internal control over major program(s):

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? ☐ Yes ☒ None reported

Type of auditor's report issued on compliance for major program(s): Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? ☐ Yes ☒ No

Identification of major program(s):

CFDA Number(s)	Name of Federal Program or Cluster
84.027, 84.173	Special Education Cluster

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low risk auditee? ☐ Yes ☒ No

# Lakeview Public Schools

## Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2007

### Section II - Financial Statement Audit Findings

Reference Number	Findings
07-I	<p><b>Finding Type</b> - Material weakness</p> <p><b>Criteria</b> - Lakeview Public Schools should reconcile its general ledger accounts to detail support throughout the year in a timely manner.</p> <p><b>Condition</b> - A number of general ledger accounts were not reconciled to detail support throughout the year.</p> <p><b>Context</b> - Due to lack of timely reconciliations between detail support and general ledger accounts, Lakeview Public Schools had significant adjustments that were made to the general ledger several months into the year.</p> <p><b>Cause and Effect</b> - Lakeview Public Schools did not reconcile general ledger accounts on a timely basis, thereby causing Lakeview Public Schools to post significant adjustments to the general ledger several months into the year.</p> <p><b>Recommendation</b> - General ledger accounts should be reconciled on a timely basis in order to minimize the risk of asset misappropriation and provide more meaningful monthly financial information.</p> <p><b>Views of Responsible Officials and Planned Corrective Actions</b> - During the current year, Lakeview Public Schools developed procedures to reconcile general ledger accounts in a timely manner.</p> <p><b>Client Response</b> - This finding was corrected during the current year. Procedures were implemented mid-year to reconcile general ledger accounts in a timely manner upon correction of the same finding reported in the 2006 audit report.</p>

### Section III - Federal Program Audit Findings

None

October 30, 2007

Board of Education  
Lakeview Public School District  
20300 Statler  
St. Clair Shores, MI 48081

Dear Board Members:

We recently completed our audit of the basic financial statements of Lakeview Public School District (the "District") for the year ended June 30, 2007. As a result of our procedures and observations, we have issued an unqualified opinion, which is commonly referred to as a "clean" opinion. In connection with the audit, we offer the following comments, recommendations, and several informational items regarding current and upcoming law and regulation changes. These items have been discussed with your administration and are presented here for your consideration as the policy-making body of the District.

#### **Financial Condition and Importance of Fund Equity**

During the 2006-2007 school year, the District's General Fund expenditures exceeded revenue by approximately \$319,000. This resulted in decreasing fund balance to approximately \$3,406,000 at June 30, 2007. We feel that it is important for the District to maintain its fund equity at an appropriate level. The benefit to the District of maintaining appropriate fund equity is the ability to meet unforeseen circumstances, such as the implementation of state aid proration, without affecting the level of programs for the year. This gives the District time to work out financial changes without the need for sudden or drastic reactions to adverse circumstances. The need for fund equity will continue to be important due to the funding caps imposed by school finance reform, as experienced over the last few years, continuing concerns over the financial health of the School Aid Fund, and continued cash flow concerns due to the receipt of over 18 percent of the District's state aid after the school year has ended.

Fund balance goals are often stated in terms of a percentage of total expenditures. As a point of reference, the statewide average for school districts at June 30, 2006 (excluding Detroit) is approximately 13.05 percent of expenditures. The District's fund equity percentage is 12 percent and equals approximately 6 weeks of operation. As the District moves through 2007-2008, it will face unprecedented challenges in this area given the State's funding plan is unknown and fringe benefit costs continue to rise.

We feel that it is important for the District to maintain an appropriate level of fund equity, which will allow the District the ability to maintain its current level of programs, while being able to meet unforeseen circumstances. Given the uncertainties with state funding, budget planning and fund balance management will continue to be essential elements for District success. We recommend that the District consider establishing a board policy on fund balance in an effort to protect against the uncertainty regarding school finance.

### **Funding - Past, Present, and Future**

For the past several years, the State has used single-year budgets for funding schools and the 2006-2007 fiscal year was no exception. In addition, the State has had to resort to proration in the past and significant one-time fixes in 2007 to balance its budget, putting increased strain on K-12 budgets. In fact, because of the struggling Michigan economy, the State has resorted to one-time changes in school aid funding to fund schools for the past five fiscal years ended June 30, 2003 through 2007.

For the 2006-2007 School Aid Fund budget, the State tapped resources in the pension system and future tobacco settlement funds to fully fund the School Aid Fund budget and prevent proration. This was necessary because the revenues dedicated to the School Aid Fund were not sufficient to pay the commitments of the fund. As late as June 2007, there was a possibility that the District's promised state aid could have had a significant proration. Clearly, school aid was not easy to predict.

With the 2006-2007 fiscal year finally resolved, the governor and legislature have begun working on state budget issues for the 2007-2008 fiscal year. The State's fiscal year does not begin until October 1, 2007. Now that they have replaced the single business tax with the Michigan business tax, they are working on a series of cost/restructuring and revenue increase measures. Many of the cost measures and some of the revenue measures will likely impact school districts and the School Aid Fund. It is likely the goal of the measures will be to add some stability in the cost of operations and in the revenue sources going into the School Aid Fund. Since the focus for the spring and summer has been on the 2006-2007 fiscal year, there is little specific information on the level of school funding or the types of categoricals that will be in place for the 2007-2008 fiscal year.

As the legislation moves forward, the specific implications for each district will become clearer. As funding remains tentative, and there remains the continuing possibility of prorations if the School Aid Fund revenue should fall short of projections, concerns over the financial health of the School Aid Fund highlight the need for the District to continue the prudent monitoring of revenue and expenditures.

### **Retirement Rate**

Legislation restructured the elements computing the MPSERS retirement rate, creating a lower cost to the retirement system. The District paid in 17.74 percent as established in last year's State Aid Act amendments, but received a credit for the difference between the amounts paid in and the actual cost within the retirement system. This credit was essentially treated as resources available for state aid and was the principal element in eliminating the need for a proration.

A few years ago a study was done by Citizens Research Council that indicated the total MPSERS contribution rate was climbing to over 20 percent in the near future. The rate for the plan year ending September 30, 2007 started out at 17.74 percent. However, as part of the overall plan to deal with the State's budget shortfall, the plan elected to suspend the normal "five-year smoothing" method as of October 1, 2006 and instead recognize all the previously unaccounted for gains as of that date.

As part of the changes made for the 2006-2007 fiscal year, the 2007-2008 fiscal year retirement rate was determined. The rate for the fiscal year beginning October 1, 2007 will be 16.72 percent.

Extreme caution should be exercised when projecting future MPSERS contribution rates. The one-time fix described above holds rates below their normal levels for the two years ending September 30, 2007 and 2008. Then, without significant changes to the retirement system, it is assumed rates will jump back to a much higher level. An increase from 16.72 percent to 20 percent would cost the District approximately \$33,000 for each \$1,000,000 of payroll. For Lakeview Public Schools, this equates to approximately \$528,000 in pension cost increases or \$178 per pupil.

It is absolutely essential that the District plan for a possible increase in later years and budget accordingly.

### **403(b) Annuity Plans**

The IRS has finalized regulations that will require schools to take more responsibility in the operation and compliance of their 403(b) arrangements, including operating the plans under a written document. The regulations have a delayed effective date of January 1, 2009. Districts will want to carefully balance the degree of involvement vs. delegation as they implement a compliance strategy. It will be important to establish a district plan document and implement vendor agreements that establish the responsibilities of the district and the vendor to eliminate confusion and provide a compliance road map. Watch for updates in Plante & Moran's *School Advisor* or in an *Alert* publication.

The IRS is currently reviewing 403(b) plans for compliance with the universal availability eligibility requirements. The universal availability rule generally requires that all employees have the right to make salary deferral contributions to the 403(b) plan, with few exceptions. Further, the final regulations reduce the number of exemptions from this requirement.

Effective in 2006, 403(b) arrangements can include a Roth contribution feature. Roth contributions are after-tax contributions that provide for tax-free withdrawals of contributions and earnings if certain requirements are met. The IRS has not yet issued comprehensive Roth 403(b) guidance, but once issued, it is likely that vendors will be proactive in using this feature to initiate a 403(b) marketing effort.

### **New, Upcoming Auditing Pronouncements Impacting Current and Future Audits**

**Statements on Auditing Standards Nos. 104 to 111- The Risk Assessment Standards -**  
The American Institute of Certified Public Accountants issued several new Statements on Auditing Standards (SAS) during 2006 that will be effective for the District's 2007-2008 fiscal year audit. These new standards (SAS 104 through 111) are collectively referred to as the "Risk Assessment" audit standards because they will substantially affect the auditing process by enhancing the auditor's application of audit risk assessment. These standards essentially redefine the audit process from start to finish and the ramifications for the audit process are substantial.

The new standards primarily require:

- The auditor to obtain a deeper understanding of: (1) the district and its internal control, for purposes of identifying the risks of material misstatement in the financial statements; and (2) what the district is doing to mitigate those risks
- A more rigorous assessment of the risks of material misstatement based on that understanding, with additional emphasis on significant risks that call for special audit consideration
- A clearer linkage between the assessed risks and the audit procedures performed, including tests of controls and substantive tests, in response to those risks



We have invested substantial resources into the redesign of our audit process to conform to these requirements. Our ultimate goal, as in the past, is to provide a quality audit, in full conformance to the requirements, which is tailored to the unique environment for Michigan schools. As a result, our 2008 audit process will have many new features and elements built in. We will work with the District to understand the elements, involve the District in the information gathering process, and perform audit tests focused on the risks embedded in the District's financial statements. To provide the District with as much lead time as possible in the data gathering process, we will review the information needs and provide the District the tools necessary late in the fall of 2007.

**Statement on Auditing Standards No. 114 - Communication with Those Charged with Governance** - The AICPA issued Statement on Auditing Standards (SAS) 114 which will increase the amount of information provided to the Board of Education, superintendent, and others charged with governance about the audit process and results. This standard, effective for the June 30, 2008 audit, will provide information describing what an audit is, emphasizing management's role in the financial statement reporting process, identifying issues encountered during the audit, and clarifying what must be communicated in writing. This required communication will be in addition to the financial statements, management letter, and single audit report already received by the District.

**Government Auditing Standards (2007 Revision)** - The Government Accountability Office (GAO) is finalized its revisions to *Government Auditing Standards* (the "Yellow Book"). These revisions were issued in January 2007. All school districts in Michigan are required to be audited under the Yellow Book requirements in addition to the audit standards issued by the Auditing Standards Board. Most of these Yellow Book changes will be effective for the June 30, 2009 school district audits. However, the Yellow Book does incorporate the SASs issued by the AICPA and those requirements will be effective based on the effective date of the SAS. The changes unique to the Yellow Book are substantive and will impact audit approach, audit documentation, and audit reporting. Some likely impacts from the changes include:

- Clarified ethics and competency considerations when audit services are performed
- Increased use of "emphasis of matter" comments in the auditor's opinion when unique financial statement matters impact the financial statements
- Increased evaluation of compliance with auditor independence requirements
- Increased expectation of governments to maintain and prepare their financial information for audit

These changes, along with the other changes in the auditing standards, continue to increase the level of audit effort required by the auditor and the amount of information provided to the District. We will work closely with the District to simplify and clarify changes as they continue to become effective. We will continue to keep you apprised of the practical implications these changes will have on your accounting department in their preparation for our audit.

### **Statement on Auditing Standards (SAS) No. 112 and the Impact on the Current Audit**

Beginning with this year's audit, national auditing standards now call for auditors to communicate matters to the governing body that may be useful to you in your oversight of the District's financial management. Specifically, they require us to report internal control issues to you that may be relatively minor, in order to allow you to evaluate their significance and make any changes you may deem appropriate. The purpose of these new standards is to allow you an opportunity to discuss issues when they are relatively minor, rather than waiting until they potentially become more serious problems. Our observations and comments regarding the District's internal controls, including any significant deficiencies, which we identified in accordance with SAS 112, have been reported to you in the accompanying report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with *Government Auditing Standards*. This report is included in the supplementary schedule of federal financial assistance (the federal awards report), and we recommend that the matters we have noted there receive your careful consideration.

### **Internal Control Observations**

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency reported to you in the accompanying report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with *Government Auditing Standards* to be a significant deficiency.

In addition to the deficiency reported to you in the accompanying report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with *Government Auditing Standards*, we noted the following control deficiencies:

**Bank Reconciliations and Cash Disbursements**

- During our interim testing, we noted that the bank reconciliations were prepared on a timely and regular basis throughout the year. However, the District's policy specifically requires bank reconciliations to be prepared by the 20<sup>th</sup> of the subsequent month. We recommend that the District ensure that the bank reconciliations are prepared and reviewed by the 20<sup>th</sup> of each following month in order to comply with the District's policy.
- During the audit, it was noted that the check registers are not reviewed by a supervisor within the Business office before being presented to the Board for approval or disbursement. We recommend that a supervisor within the Business office review the check registers for accuracy, comparison of vendor names and unusual items. The review should include a reconciliation of checks issued to the check register.
- During our review of building and site disbursements in conjunction with Accounts Payable testing, we noted two instances in which PO's were issued after the invoice date. We recommend that the District submit purchase orders prior to purchasing any supplies or services in order for the purchase order to be properly processed through the District's internal control systems.
- It is our understanding of the cash collection procedures at remote locations, there appears to be a lack of segregation of duties in that the same individual collects cash and reconciles amounts collected. We understand that members of the Board office have met with various officers of the PTO and agency organizations to discuss cash responsibilities and the enhancement of bylaws to cover such issues. We recommend that the District review the related bylaws once drafted and ensure controls over cash at remote locations are in place to ensure a proper segregation of duties. If this is not economically feasible, we recommend the Business office consider surprise audits or visits to such sights at the time cash is being collected to enhance oversight responsibility.

### **Payroll**

- It is our understanding that there is no review of pay rates once they have been entered into the system by the payroll bookkeeper. Although administration and the Board review budget to actual reports and related variances throughout the year, we recommend that a supervisor review all pay changes to the HR system to ensure accuracy and sign off that such a review has been performed. If possible, we recommend that edit reports which list all employee status changes are run with each payroll and that the business manager be responsible for reviewing and initialing all changes for propriety.
- During our testing of employment contracts in the District, we noted that the 06/07 pay rates for the Superintendent and Assistant Superintendent for Business were not formally signed by a Board Member. Although amounts were approved by the Board and documented in the Board minutes, we recommend that all contracts entered into by the District be signed by an appropriate member of administration. If the contracts relate to the Superintendent and Assistant Superintendent should be signed by a Board Member.
- Based on review of union contracts and discussions with District personnel, the District does not appear to be properly tracking vacation associated with 12 month secretaries. Per the Lakeview Secretarial/clerical union contract, noted 12 month employees start to receive vacation days at the end of one year of service, based on the employee's anniversary date. Therefore vacation is earned during the year and given on the employee's anniversary date. We recommend the District review employment contracts to ensure that compensated absence and other related payroll accrual liabilities are being properly accrued and reported.

### **Other Suggestions**

Given the impending changes in the accounting standards and the Yellow Book and the restructuring of the duties and responsibilities within the Business office, we recommend the District perform an extensive review of their internal controls to ensure that controls have not been compromised and that appropriate segregation of duties is in place.

During the current year, the Special Education Cluster had a new compliance requirement. Referred to as the proportionate share requirement, the School District must provide a proportionate share of Special Education monies to private schools within the School District's boundary which have been identified as having special needs children. While the School District is in compliance with this requirement, we recommend the School District have an individual line item budgeted for the proportionate share compliance requirement in the Special Education Cluster budget.

To the Board of Education  
Lakeview Public Schools

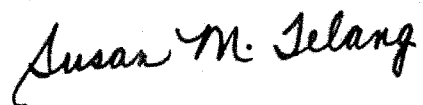
9

October 30, 2007

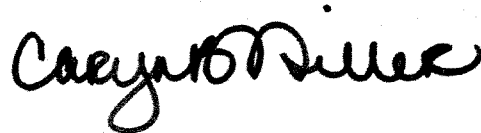
This report is intended solely for the information and use of the Board of Education, management, and others within the District. We appreciate the opportunity to serve as auditors for the District. We also want to thank Mr. Karl Paulson, Ms. Cindy Szuminski and Ms. Sandy Young and others within the District for the assistance and cooperation extended to us during the audit process. If there are any questions about your financial report or the above comments and recommendations, we would be happy to discuss them at your convenience.

Very truly yours,

**Plante & Moran, PLLC**



Susan M. Telang



Caryn B. Miller

FORM **SF-SAC**  
(5-2004)U.S. DEPT. OF COMM.— Econ. and Stat. Admin.— U.S. CENSUS BUREAU  
ACTING AS COLLECTING AGENT FOR  
OFFICE OF MANAGEMENT AND BUDGET**Data Collection Form for Reporting on  
AUDITS OF STATES, LOCAL GOVERNMENTS, AND NON-PROFIT ORGANIZATIONS  
for Fiscal Year Ending Dates in 2004, 2005, or 2006**

▶ Complete this form, as required by OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations."

**RETURN  
TO****Federal Audit Clearinghouse  
1201 E. 10th Street  
Jeffersonville, IN 47132****PART I****GENERAL INFORMATION (To be completed by auditee, except for Items 4 and 7)****1. Fiscal period ending date for this submission**Month Day Year  
**06 / 30 / 2007**Fiscal Period End Dates Must  
Be In 2004, 2005, or 2006**2. Type of Circular A-133 audit**1 ☒ Single audit 2 ☐ Program-specific audit**3. Audit period covered**1 ☒ Annual 2 ☐ Biennial 3 ☐ Other —  Months**4. FEDERAL  
GOVERNMENT  
USE ONLY**Date received by  
Federal clearinghouse**5. Auditee Identification Numbers****a. Primary Employer Identification Number (EIN)****3 8 — 6 0 0 2 5 2 4****b. Are multiple EINs covered in this report?** 1 ☐ Yes 2 ☒ No**c. If Part I, Item 5b = "Yes," complete Part I, Item 5c  
on the continuation sheet on Page 4.****d. Data Universal Numbering System (DUNS) Number****0 7 — 4 2 1 — 6 1 7 7****e. Are multiple DUNS covered in this report?** 1 ☐ Yes 2 ☒ No**f. If Part I, Item 5e = "Yes," complete Part I, Item 5f  
on the continuation sheet on Page 4.****6. AUDITEE INFORMATION****a. Auditee name****LAKEVIEW PUBLIC SCHOOLS****b. Auditee address (Number and street)****20300 STATLER**

City

**ST. CLAIR SHORES**

State

ZIP + 4 Code

**MI****4 8 0 8 1****c. Auditee contact**

Name

**KARL D. PAULSON**

Title

**ASSISTANT SUPERINTENDENT FOR BUSINESS****d. Auditee contact telephone****( 586 ) 445 — 2507****e. Auditee contact FAX****( 586 ) 445 — 4197****f. Auditee contact E-mail****KPAULSON@SCSLAKEVIEW-K12.COM****g. AUDITEE CERTIFICATION STATEMENT** — This is to certify that, to the best of my knowledge and belief, the auditee has: (1) engaged an auditor to perform an audit in accordance with the provisions of OMB Circular A-133 for the period described in Part I, Items 1 and 3; (2) the auditor has completed such audit and presented a signed audit report which states that the audit was conducted in accordance with the provisions of the Circular; and, (3) the information included in **Parts I, II, and III** of this data collection form is accurate and complete. I declare that the foregoing is true and correct.Signature of certifying official Date  
Month Day Year  
/ /

Printed Name of certifying official

Printed Title of certifying official

**7. AUDITOR INFORMATION (To be completed by auditor)****a. Auditor name****PLANTE & MORAN, PLLC****b. Auditor address (Number and street)****27400 NORTHWESTERN HIGHWAY**

City

**SOUTHFIELD**

State

ZIP + 4 Code

**MI****4 8 0 3 4****c. Auditor contact**

Name

**SUSAN TELANG**

Title

**PARTNER****d. Auditor contact telephone****( 248 ) 223 — 3553****e. Auditor contact FAX****( 248 ) 603 — 5913****f. Auditor contact E-mail****SUSAN.TELANG@PLANTEMORAN.COM****9. AUDITOR STATEMENT** — The data elements and information included in this form are limited to those prescribed by OMB Circular A-133. The information included in Parts II and III of the form, except for Part III, Items 7, 8, and 9a-9f, was transferred from the auditor's report(s) for the period described in Part I, Items 1 and 3, and **is not a substitute** for such reports. The auditor has not performed any auditing procedures since the date of the auditor's report(s). A copy of the reporting package required by OMB Circular A-133, which includes the complete auditor's report(s), is available in its entirety from the auditee at the address provided in Part I of this form. As required by OMB Circular A-133, the information in **Parts II and III** of this form was entered in this form by the auditor based on information included in the reporting package. The auditor has not performed any additional auditing procedures in connection with the completion of this form.Signature of auditor Date  
Month Day Year  
/ /

**PART II****FINANCIAL STATEMENTS (To be completed by auditor)****1. Type of audit report**

Mark either: 1 ☒ Unqualified opinion **OR**  
 any combination of: 2 ☐ Qualified opinion 3 ☐ Adverse opinion 4 ☐ Disclaimer of opinion

**2. Is a "going concern" explanatory paragraph included in the audit report?**1 ☐ Yes 2 ☒ No**3. Is a reportable condition disclosed?**1 ☒ Yes 2 ☐ No – *SKIP to Item 5***4. Is any reportable condition reported as a material weakness?**1 ☒ Yes 2 ☐ No**5. Is a material noncompliance disclosed?**1 ☐ Yes 2 ☒ No**PART III****FEDERAL PROGRAMS (To be completed by auditor)****1. Does the auditor's report include a statement that the auditee's financial statements include departments, agencies, or other organizational units expending \$500,000 or more in Federal awards that have separate A-133 audits which are not included in this audit? (AICPA Audit Guide, Chapter 12)**1 ☐ Yes 2 ☒ No**2. What is the dollar threshold to distinguish Type A and Type B programs? (OMB Circular A-133 § .520(b))**

\$ 300,000

**3. Did the auditee qualify as a low-risk auditee? (§ .530)**1 ☐ Yes 2 ☒ No**4. Is a reportable condition disclosed for any major program? (§ .510(a)(1))**1 ☐ Yes 2 ☒ No – *SKIP to Item 6***5. Is any reportable condition reported as a material weakness? (§ .510(a)(1))**1 ☐ Yes 2 ☐ No**6. Are any known questioned costs reported? (§ .510(a)(3) or (4))**1 ☐ Yes 2 ☒ No**7. Were Prior Audit Findings related to **direct** funding shown in the Summary Schedule of Prior Audit Findings? (§ .315(b))**1 ☐ Yes 2 ☒ No**8. Indicate which **Federal** agency(ies) have current year audit findings related to **direct** funding or prior audit findings shown in the Summary Schedule of Prior Audit Findings related to **direct** funding. (Mark (X) all that apply or None)**98 ☐ U.S. Agency for International Development83 ☐ Federal Emergency Management Agency43 ☐ National Aeronautics and Space Administration96 ☐ Social Security Administration10 ☐ Agriculture39 ☐ General Services Administration89 ☐ National Archives and Records Administration19 ☐ U.S. Department of State23 ☐ Appalachian Regional Commission93 ☐ Health and Human Services05 ☐ National Endowment for the Arts20 ☐ Transportation11 ☐ Commerce97 ☐ Homeland Security06 ☐ National Endowment for the Humanities21 ☐ Treasury94 ☐ Corporation for National and Community Service03 ☐ Institute of Museum and Library Services06 ☐ National Endowment for the Humanities82 ☐ United States Information Agency12 ☐ Defense15 ☐ Interior47 ☐ National Science Foundation64 ☐ Veterans Affairs84 ☐ Education16 ☐ Justice07 ☐ Office of National Drug Control Policy00 ☒ None81 ☐ Energy17 ☐ Labor07 ☐ Office of National Drug Control Policy☐ Other – Specify:66 ☐ Environmental Protection Agency09 ☐ Legal Services Corporation59 ☐ Small Business Administration

Each agency identified is required to receive a copy of the reporting package.

In addition, one copy each of the reporting package is required for:

- the Federal Audit Clearinghouse archives ☒
- and, if not marked above, the Federal cognizant agency ☐

Count total number of boxes marked above and submit this number of reporting packages . . . .

1

**PART III FEDERAL PROGRAMS – Continued**

9. FEDERAL AWARDS EXPENDED DURING FISCAL YEAR				10. AUDIT FINDINGS				
Federal Agency Prefix <sup>1</sup>	CFDA Number	Research and development <sup>2</sup>	Name of Federal program	Amount expended	Direct award	Major program	Type(s) of compliance requirement(s) <sup>4</sup>	Audit finding reference number(s) <sup>5</sup>
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(a)
1 0	.553	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	CHILD NUTRITION CLUSTER - NATIONAL SCHOOL BREAKFAST PROGRAM	\$ 25,837 .00	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	O	N/A
1 0	.555	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	CHILD NUTRITION CLUSTER - NATIONAL SCHOOL LUNCH PROGRAM	\$ 173,196 .00	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	O	N/A
8 4	.027	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	SPECIAL EDUCATION CLUSTER - IDEA	\$ 509,471 .00	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input checked="" type="checkbox"/> Yes 2 <input type="checkbox"/> No	O	N/A
8 4	.173	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	SPECIAL EDUCATION CLUSTER - PRESCHOOL INCENTIVE	\$ 10,752 .00	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input checked="" type="checkbox"/> Yes 2 <input type="checkbox"/> No	O	N/A
8 4	.027	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	SPECIAL EDUCATION CLUSTER - IDEA TRANSITION	\$ 1,484 .00	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input checked="" type="checkbox"/> Yes 2 <input type="checkbox"/> No	O	N/A
8 4	.010	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	TITLE I	\$ 102,513 .00	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	O	N/A
8 4	.367	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	TITLE II, PART A	\$ 120,685 .00	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	O	N/A
8 4	.318	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	TITLE II, PART D - ENHANCING EDUCATION THROUGH TECHNOLOGY	\$ 2,458 .00	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	O	N/A
8 4	.298	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	TITLE V	\$ 1,817 .00	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	O	N/A
8 4	.184E	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	PROJECT TAME	\$ 3,000 .00	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	O	N/A
<b>TOTAL FEDERAL AWARDS EXPENDED</b>				\$ 986,415 .00	IF ADDITIONAL LINES ARE NEEDED, PLEASE PHOTOCOPY THIS PAGE, ATTACH ADDITIONAL PAGES TO THE FORM, AND SEE INSTRUCTIONS			

<sup>1</sup> See Appendix 1 of instructions for valid Federal Agency two-digit prefixes.<sup>2</sup> Or other identifying number when the Catalog of Federal Domestic Assistance (CFDA) number is not available. (See Instructions)<sup>3</sup> If major program is marked "Yes," enter only one letter (U = Unqualified opinion, Q = Qualified opinion, A = Adverse opinion, D = Disclaimer of opinion) corresponding to the type of audit report in the adjacent box. If major program is marked "No," leave the type of audit report box blank.<sup>4</sup> Enter the letter(s) of all type(s) of compliance requirement(s) that apply to audit findings (i.e., noncompliance, reportable conditions (including material weaknesses), questioned costs, fraud, and other items reported under § 510(a)) reported for each Federal program.

A. Activities allowed or unallowed  
 B. Allowable costs/cost principles  
 C. Cash management  
 D. Davis – Bacon Act  
 N/A for NONE

E. Eligibility  
 F. Equipment and real property management  
 G. Matching, level of effort, earmarking  
 H. Period of availability of Federal funds

I. Procurement and suspension and debarment  
 J. Program income  
 K. Real property acquisition and relocation assistance

L. Reporting  
 M. Subrecipient monitoring  
 N. Special tests and provisions  
 O. None  
 P. Other



**PART III****FEDERAL PROGRAMS - Continued**

9. FEDERAL AWARDS EXPENDED DURING FISCAL YEAR				10. AUDIT FINDINGS						
Federal Agency Prefix <sup>1</sup> (a)	CFDA Number Extension <sup>2</sup> (b)	Research and development (c)	Name of Federal program (d)	Amount expended (e)	Direct award (f)	Major program (g)		If yes, type of audit report <sup>3</sup> (h)	Type(s) of compliance requirement(s) <sup>4</sup> (a)	Audit finding reference number(s) <sup>5</sup> (b)
						Major program (g)	Major program (g)			
8 4	.048A	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	VOCATIONAL EDUCATION	\$ 9,371.00	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No			O	N/A
1 0	.550	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	FOOD DISTRIBUTION	\$ 25,831.00	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No			O	N/A
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# PART I

## Item 5 Continuation Sheet

**c.** List the multiple Employer Identification Numbers (EINs) covered in this report.

**f.** List the multiple DUNS covered in the report.

[illegible]

IF ADDITIONAL LINES ARE NEEDED, PLEASE PHOTOCOPY THIS PAGE, ATTACH ADDITIONAL PAGES TO THE FORM, AND SEE INSTRUCTIONS.



# Lakeview Public Schools

20300 STATLER, ST. CLAIR SHORES, MICHIGAN 48081

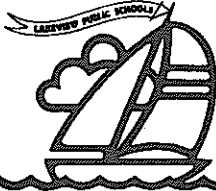
(586) 445-4015

FAX: (586) 445-4029

## SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

June 30, 2007

Fiscal Year	Finding Number	Finding	CFDA Number	Questioned Costs	Comments
<b>(1) Audit findings that have been fully corrected:</b>					
2006	06-2	A number of general ledger accounts affecting federal programs were not reconciled to detail support throughout the year	84.027 and 84.173	None	This finding has been fully corrected. New controls were implemented to reconcile federal program activity in a timely manner.
2006	06-1	A number of general ledger accounts were not reconciled to detail support throughout the year		None	New controls were implemented to review general ledger accounts in a timely manner. The controls were consistently applied mid-year at which time the finding was fully corrected.
<b>(2) Audit findings that were not corrected or partially corrected:</b>					
None					
<b>(3) Corrective action taken is significantly different from corrective action previously reported:</b>					
None					
<b>(4) Audit finding is no longer valid:</b>					
None					



# Lakeview Public Schools

20300 STATLER, ST. CLAIR SHORES, MICHIGAN 48081

(586) 445-4015

FAX: (586) 445-4029

## CORRECTIVE ACTION PLAN

For the Fiscal Year Ended June 30, 2007

Finding Number	Department/ Contact Person/ Phone Number	Corrective Action Planned
07-1	Business Office Cindy Szuminski (586) 445-4000 ext. 2510	<u>Lakeview should reconcile its general ledger accounts to detail support throughout the year in a timely manner.</u>  Deficiencies noted were corrected during the fiscal year. Procedures were implemented mid-year to reconcile general ledger accounts to detail support in a timely manner.

*Completion Date: April 30, 2007*